

DIRECT TESTIMONY AND EXHIBITS OF
KELVIN L. MAJOR
ON BEHALF OF
THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF
DOCKET NO. 2018-318-E
IN RE: APPLICATION OF DUKE ENERGY PROGRESS, LLC
FOR ADJUSTMENTS IN ELECTRIC RATE SCHEDULES AND TARIFFS AND
REQUEST FOR AN ACCOUNTING ORDER

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.

A. My name is Kelvin L. Major. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina, 29201. I am employed by the State of South Carolina as an Audit Manager for the South Carolina Office of Regulatory Staff (“ORS”).

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND YOUR BUSINESS EXPERIENCE.

A. I received a Bachelor of Science Degree in Accounting from Clemson University in August of 2001. Prior to joining ORS, I held several accounting positions. I began my employment as an auditor with ORS in October of 2009 and have participated in various cases involving the regulation of electric, telecommunication, transportation, water and wastewater utilities.

Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA?

1 **A.** Yes. I have previously testified before the Public Service Commission of South
2 Carolina (“Commission”) on an electric rate case and a utility merger case.

3 **Q. WHAT IS THE MISSION OF THE OFFICE OF REGULATORY STAFF?**

4 **A.** ORS represents the public interest as defined by the South Carolina General
5 Assembly as:

6 The concerns of the using and consuming public with respect to public
7 utility services, regardless of the class of customer, and preservation of
8 continued investment in and maintenance of utility facilities so as to provide
9 reliable and high-quality utility services.

10 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
11 **PROCEEDING?**

12 **A.** The purpose of my testimony is to set forth the findings and recommendations
13 resulting from ORS’s examination of the application of Duke Energy Progress, LLC
14 (“Company” or “DEP”), in Docket No. 2018-318-E. These findings and recommendations
15 are explained in detail in my testimony and attached exhibits.

16 **Q. PLEASE DESCRIBE THE PROCEDURES USED TO PERFORM THE**
17 **EXAMINATION OF THE COMPANY’S APPLICATION.**

18 **A.** ORS’s examination of the Company’s Application for Adjustments in Electric Rate
19 Schedules and Tariffs and Request for an Accounting Order (“Application”) consisted of
20 three major steps. In step one, ORS verified that the operating experience and rate base,
21 reported by the Company in its Application, were supported by the Company’s accounting
22 books and records for the test year. In the second step, ORS tested the underlying
23 transactions in the books and records for the same period to ensure that the transactions
24 were adequately supported, had a stated business purpose, were allowable for ratemaking
25 purposes and were properly recorded. Lastly, our examination consisted of adjusting, as

necessary, the revenues, expenditures and capital investments to normalize the Company's operating experience and rate base in accordance with generally accepted regulatory principles and prior Commission orders.

Q. PLEASE IDENTIFY THE EXHIBITS ATTACHED TO YOUR TESTIMONY.

A. I have attached the following exhibits to my testimony relating to the total Company per books and South Carolina ("SC") retail per books:

- Audit Exhibit KLM-1: Operating Experience, Rate Base and Rate of Return Reflecting ORS's Proposed Increase
- Audit Exhibit KLM-2: Explanation of Accounting and Pro Forma Adjustments - Retail
- Audit Exhibit KLM-3: Electric Plant in Service at Original Cost
- Audit Exhibit KLM-4: Accumulated Depreciation and Amortization – Electric Plant in Service
- Audit Exhibit KLM-5: Materials and Supplies
- Audit Exhibit KLM-6: Working Capital Investment
- Audit Exhibit KLM-7: Weighted Cost of Capital
- Audit Exhibit KLM-8: Operating Experience, Rate Base and Rate of Return Reflecting the Company's Proposed Increase

These exhibits were either prepared by me, or under my direction and supervision, in compliance with recognized accounting and regulatory procedures for electric utility rate cases. These exhibits show various aspects of DEP's operations and financial position.

Q. PLEASE DESCRIBE THE FORMAT OF AUDIT EXHIBIT KLM-1 AND ELABORATE ON THE CALCULATIONS.

1 **A.** Audit Exhibit KLM-1 shows DEP's operating experience, rate base and rate of return
2 for total Company per books and SC retail per books for the test year ended December 31,
3 2017. Note, that for presentation purposes, all exhibits report dollar amounts in thousands
4 (000's omitted).

5 The exhibit's format is designed to reflect total Company per book operations, SC
6 retail per books, the ORS accounting and pro forma adjustments necessary to normalize test
7 year operations and the ORS proposed increase.

8 Column (1) shows total Company per books electric operations. ORS verified
9 operating revenue of \$5,125,685,000, total operating expenses of \$4,223,769,000 and net
10 operating income for return \$901,916,000. Total rate base amounted to \$13,624,810,000.
11 Total Company per books rate of return of 6.62% was calculated by dividing the net
12 operating income for return by the total rate base.

13 Column (2) shows the allocation of total Company per books to SC retail per books
14 as verified by the ORS Utility Rates Department. Using SC retail per books, net operating
15 income for return was \$105,585,000 and total rate base was \$1,388,457,000 resulting in a
16 rate of return of 7.60% and a return on common equity of 10.75%.

17 Column (3) shows ORS accounting and pro forma adjustments for SC retail
18 operations. Each adjustment is shown in Audit Exhibit KLM-2 and explained further in
19 testimonies of various ORS witnesses.

20 Column (4) shows the Company's SC retail operations after ORS accounting and pro
21 forma adjustments by combining columns (2) and (3). Using net operating income for return
22 of \$78,194,000 and total rate base of \$1,477,733,000 a rate of return of 5.29% was computed.
23 The corresponding return on common equity was 6.38%.

Column (5) shows ORS's proposed increase along with the resultant tax and customer growth adjustments for SC retail operations. Each of these adjustments is shown in Audit Exhibit KLM-2.

Column (6) details the results of SC retail operations after the ORS proposed increase by combining columns (4) and (5). Using net operating income for return of \$101,035,000, and total rate base of \$1,477,733,000, a rate of return of 6.84% was calculated. The corresponding return on common equity was 9.30%.

Q. PLEASE EXPLAIN THE ADJUSTMENTS IN AUDIT EXHIBIT KLM-2.

A. Explanations of the ORS accounting and pro forma adjustments are presented on a SC retail basis for both ORS and the Company. The ORS Utility Rates Department verified the SC retail allocated amounts and reviewed the revenue, fuel related and other various adjustments, as noted in the explanation for each adjustment. Additionally, certain adjustments, as noted, will be discussed by ORS Audit Department witness Zachary Payne. As shown on Audit Exhibit KLM-2, the ORS adjustment numbers are the same as those filed by the Company in its Application. ORS also proposed several additional adjustments based on review of the Company's books and records. The adjustments are as follows:

Adjustment #1 – Annualize Retail Revenues for Current Rates – The Company and ORS propose to adjust electric operating revenue by \$590,000, other operations and maintenance ("O&M") expense by \$1,000, general taxes by \$2,000 and income taxes by \$147,000. This adjustment was reviewed by the ORS Utility Rates Department.

Adjustment #2 – Update Fuel Costs to Proposed Rates – The Company and ORS propose to adjust electric operating revenue by \$397,000, fuel used in electric generation by \$15,903,000, income taxes by (\$3,869,000), working capital by (\$7,041,000), and

1 accumulated deferred taxes by \$1,631,000 to ensure that no fuel related expenses
2 recoverable through the annual fuel clause are included in this rate increase request.

3 Adjustment #3 – Adjust Other Revenues – The Company and ORS propose to adjust electric
4 operating revenue by \$68,000, other O&M expense by \$97, general taxes by \$204, and
5 income taxes by \$17,000. This adjustment was reviewed by the ORS Utility Rates
6 Department.

7 Adjustment #4 – OPEN

8 Adjustment #5 – Eliminate Unbilled Revenues – The Company and ORS propose to adjust
9 electric operating revenue by (\$2,508,000), general taxes by (\$8,000), and income taxes by
10 (\$624,000) to eliminate unbilled revenues. This adjustment was reviewed by the ORS Utility
11 Rates Department.

12 Adjustment #6 – Adjust for Costs Recovered through Non-fuel Riders – The Company and
13 ORS propose to adjust other O&M expense by (\$16,361,000), depreciation and
14 amortization expense by (\$6,161,000), general taxes by (\$603,000), income taxes by
15 \$5,770,000, electric plant in service by (\$25,846,000), accumulated depreciation and
16 amortization by \$8,827,000, working capital by (\$27,929,000) and accumulated deferred
17 taxes by \$10,062,000 to remove amounts that are recovered through other non-fuel riders
18 related to Energy Efficiency and Demand Side Management Programs.

19 Adjustment #7 – OPEN

20 Adjustment #8 – Annualize Depreciation on Year End Plant Balances –The Company
21 proposes to adjust depreciation and amortization by \$2,801,000, income taxes by (\$699,000),
22 and accumulated depreciation and amortization by (\$2,801,000) to annualize depreciation on
23 year end plant balances and reflect a full year of depreciation expense on plant in service as

of the end of the test period. ORS proposes to adjust depreciation and amortization by \$2,777,000, income taxes by (\$693,000), and accumulated depreciation and amortization by (\$2,777,000) based on the Company's supplemental changes to expense and rate base. This adjustment was reviewed by the ORS Utility Rates Department.

Adjustment #9 – Annualize Property Taxes on Year End Plant Balances – The Company and ORS propose to adjust general taxes by \$376,000 and income taxes by (\$94,000) to reflect an annual level of expense for property taxes based on the end of the test period level of plant investment and additions.

Adjustment #10 – Adjust for New Depreciation Rates – The Company and ORS propose to adjust depreciation and amortization by \$9,386,000, income taxes by (\$2,341,000), accumulated depreciation and amortization by (\$6,691,000), working capital investment by \$5,390,000 and accumulated deferred taxes by (\$1,345,000). This adjustment reflects the impact of the updated depreciation rates resulting from the Company's implementation of the newest depreciation study. This adjustment was reviewed by the ORS Utility Rates Department.

Adjustment #11 – Adjust for Post Test Year Additions to Plant in Service – The Company proposes to adjust depreciation and amortization by \$5,327,000, general taxes by \$1,079,000, income taxes by (\$1,598,000), electric plant in service by \$176,506,000, and accumulated depreciation and amortization by (\$5,327,000) for projected property additions made through December 31, 2018. ORS proposes to adjust depreciation and amortization by \$5,323,000, general taxes by 1,063,000, income taxes by (\$1,593,000), electric plant in service by \$169,635,000, and accumulated depreciation and amortization by (\$5,323,000) based on updated actual property additions through December 31, 2018

provided by the Company. This adjustment was reviewed by the ORS Utility Rates Department.

Adjustment #12 – Remove NCEMPA Acquisition – The Company and ORS propose to adjust depreciation and amortization by (\$1,218,000), income taxes by \$304,000, electric plant in service by (\$33,399,000), and accumulated depreciation and amortization by \$2,944,000 to remove the North Carolina Eastern Municipal Power Agency (“NCEMPA”) acquisition from the plant in service and accumulated depreciation for the test period, as was done in Docket No. 2016-227-E, Order No. 2016-871. This adjustment was reviewed by the ORS Utility Rates Department.

Adjustment #13 – Remove Expiring Amortization Credits from Test Year – The Company and ORS propose to adjust depreciation and amortization by \$30,869,000, income taxes by (\$7,702,000) to remove the expiring SC Cost of Removal Reserve (“COR”) amortization credit and adjust for the amortization of the Excess Deferred Income Taxes (“EDIT”) resulting from a reduction in the NC income tax rate in the test year, as stipulated in the settlement agreement in Docket No. 2016-227. This adjustment is discussed in more detail by ORS witness Matthew Schellinger.

Adjustment #14 – OPEN

Adjustment #15 – Adjust Reserve for End of Life Nuclear Costs – The Company proposes to adjust depreciation and amortization by \$2,938,000, income taxes by (\$733,000), working capital by (\$2,938,000), and accumulated deferred taxes by \$733,000 to adjust the reserve for end of life nuclear costs. ORS does not propose an adjustment. This adjustment is discussed in more detail by ORS witness Willie Morgan.

1 Adjustment #16 – Adjust Coal Inventory – The Company and ORS propose to adjust
2 materials and supplies by (\$2,251,000) for coal inventory. This adjustment was reviewed by
3 the ORS Utility Rates Department.

4 Adjustment #17 – Adjust for Previously Deferred Amounts – Harris COLA, GridSouth,
5 Fukushima/Cybersecurity, and 2014 Storms – The Company proposes to adjust
6 depreciation and amortization by \$3,184,000, income taxes by (\$794,000), working capital
7 by (\$15,754,000), and accumulated deferred taxes by \$3,931,000 to reflect the deferral of
8 costs incurred for the development of the Harris Nuclear Station, GridSouth, and
9 Fukushima/Cybersecurity. This adjustment also removes the 2014 storm balance from rate
10 base. ORS proposes to adjust depreciation and amortization by \$2,634,000, income taxes
11 by (\$657,000), working capital by (\$23,118,000), and accumulated deferred taxes by
12 \$5,768,000 for these previously deferred costs. This adjustment is discussed in more detail
13 by ORS witness Zachary Payne.

14 Adjustment #18 – Amortize Deferred Environmental Costs – The Company proposes to
15 adjust depreciation and amortization by \$10,080,000, income taxes by (\$2,515,000), working
16 capital investment by \$40,322,000, and accumulated deferred taxes by (\$10,060,000) to
17 amortize the deferred environmental costs. ORS proposes to adjust depreciation and
18 amortization by \$879,000 income taxes by (\$219,000), working capital investment by
19 \$3,288,000, and accumulated deferred taxes by (\$820,000) to amortize deferred
20 environmental costs. This adjustment is discussed in more detail by ORS witness Zachary
21 Payne.

22 Adjustment #19 – Amortize Deferred Cost Balance Related to SC AMI – The Company
23 proposes to adjust depreciation and amortization expense by \$468,000, income taxes by

1 (\$117,000), working capital by \$935,000, and accumulated deferred taxes by (\$233,000) to
2 amortize the deferred cost balance related to SC AMI. ORS proposes to adjust depreciation
3 and amortization expense by \$104,000, income taxes by (\$26,000), working capital by
4 \$861,000, and accumulated deferred taxes by (\$215,000) to amortize the deferred cost
5 balance related to SC AMI. This adjustment is discussed in more detail by ORS witness
6 Zachary Payne.

7 Adjustment #20 – Normalize for Storm Costs - The Company proposes to adjust other O&M
8 expense by \$1,005,000 and income taxes by (\$251,000) to normalize for storm costs. ORS
9 proposes to adjust other O&M expense by \$723,000 and income taxes by (\$180,000). This
10 adjustment is discussed in more detail by ORS witness Willie Morgan.

11 Adjustment #21 – Annualize O&M Non-labor Costs – The Company proposes to adjust
12 other O&M expense by \$508,000 and income taxes by (\$127,000) to reflect the impact of
13 inflation on test year expenses. ORS does not propose to make this adjustment since it is
14 based on projected and estimated data rather than known and measurable expenses.

15 Adjustment #22 – Normalize O&M Labor Expenses – The Company proposes to adjust other
16 O&M expense by \$3,059,000, general taxes by \$180,000, and income taxes by (\$808,000)
17 to normalize O&M labor expenses as of July 1, 2018. ORS proposes to adjust other O&M
18 expense by (\$802,000), general taxes by \$199,000, and income taxes by \$150,000 to
19 normalize O&M labor expenses and to remove 50% of long and short term incentive program
20 costs as of July 1, 2018. The adjustment to normalize O&M labor costs was calculated by
21 subtracting test year O&M labor costs from the Company's O&M labor costs as of July, 1,
22 2018 to reflect the Company's normalized O&M labor costs going forward. In addition to
23 updating the salary levels to the July 1, 2018 date, ORS proposes updating the salary allocator

1 to DEP to the same date. Lastly, ORS proposes removing 50% of the Company's long and
2 short term incentive ("LTI" and "STI") program costs incurred as of July 1, 2018 due to 50%
3 of the incentives being attributable to Company earnings. This resulted in an ORS adjustment
4 of (\$4,172,000) to incentive program costs. Normalizing labor and removing incentives
5 attributable to earnings represents the majority of the difference between the Company's
6 proposed adjustment to O&M labor costs and ORS's proposed adjustment to O&M labor
7 costs.

8 Adjustment #23 – Update Benefit Costs – The Company proposes to adjust other O&M
9 expense by \$3,366,000 and income taxes by (\$840,000) to reflect an updated annual level of
10 pension, other post-employment benefits ("OPEB"), active medical, FAS112, and non-
11 qualified pension benefits expense. ORS proposes to adjust other O&M expense by
12 \$2,939,000 and income taxes by (\$733,000) to reflect an updated annual level of pension,
13 OPEB, active medical, FAS112, and non-qualified pension benefits expense. The primary
14 reason for the difference in the Company and ORS's proposed adjustment is ORS's proposed
15 adjustment includes actual 2018 active medical expense, while the Company's proposed
16 adjustment included estimated 2018 active medical expense at the time the Company filed
17 the application.

18 Adjustment #24 – Levelize Nuclear Refueling Outage Costs – The Company and ORS
19 propose to adjust other O&M expense by \$4,256,000 and income tax by (\$1,062,000) for
20 nuclear refueling outage costs. This adjustment was reviewed by the ORS Utility Rates
21 Department.

22 Adjustment #25 – Amortize Rate Case Costs – The Company proposes to adjust other O&M
23 expense by \$770,000, income taxes by (\$192,000), working capital by \$3,082,000, and

1 accumulated deferred taxes by (\$769,000) to amortize current rate case expenses over a five-
2 year period. ORS proposes to adjust other O&M expense by \$137,000 and income taxes by
3 (\$34,000) to amortize current rate case expenses over a five-year period. The Company's
4 adjustment in the application included projected rate case expenses and proposes to include
5 unamortized rate case expenses in rate base. The Company provided support for \$941,000
6 of actual rate case expenses through December 31, 2018. Of the actual rate case expenses
7 support was provided for, ORS disallowed \$256,635 due to the Company failing to provide
8 sufficient supporting documentation. ORS does not propose to include rate case expenses
9 in rate base as the expenses are related to O&M and are not capital in nature.

10 Adjustment #26 – Adjust Aviation Expenses – The Company and ORS propose to adjust
11 other O&M expense by (\$249,000), general taxes by (\$2,000), and income taxes by \$63,000
12 for aviation expenses. This adjustment removes corporate aviation and helicopter expenses
13 that benefit shareholders rather than customers.

14 Adjustment #27– OPEN

15 Adjustment #28 – Adjust for Credit Card Fees – The Company proposes to adjust other
16 O&M expense by \$773,000 and income taxes by (\$193,000) to adjust for credit card fees.
17 ORS proposes to adjust other O&M expense by \$644,000 and income taxes by (\$161,000)
18 to adjust for credit card fees. ORS did not include the Company's growth projections in
19 its calculation of credit card fee expenses since they are not known and measurable.

20 Adjustment #29 – Adjust O&M for Executive Compensation – The Company proposes to
21 adjust other O&M expense by (\$304,000), and income taxes by \$76,000 to eliminate 50%
22 of the compensation (base pay, LTI and STI) of the four DEP executives with the highest
23 level of compensation. ORS proposes to adjust other O&M expense by (\$43,000) and

1 income taxes by \$11,000 to eliminate 50% of the base pay of the four DEP executives with
2 the highest level of compensation. ORS does not remove the LTI and STI payments to
3 these four executives in this adjustment, since these expenses were already removed in
4 Adjustment #22.

5 Adjustment #30 – Adjust for Customer Connect Additional Expense and Deferral – The
6 Company proposes to adjust other O&M expense by \$1,227,000, depreciation and
7 amortization by \$515,000, income taxes by (\$435,000), working capital by \$1,029,000,
8 and accumulated deferred taxes by (\$257,000) to adjust for Customer Connect additional
9 O&M expenses and to amortize deferred costs. ORS proposes to adjust depreciation and
10 amortization by \$308,000 and income taxes by (\$77,000) to adjust for the amortization of
11 deferred costs related to Customer Connect. This adjustment is discussed in more detail
12 by ORS witness Zachary Payne.

13 Adjustment #31 – Adjust Vegetation Management Expenses – The Company proposes to
14 adjust other O&M expenses by \$307,000 and income taxes by (\$77,000) for increased
15 vegetation management expenses that were not included in the test period. ORS proposes
16 to adjust other O&M expense by (\$160,000) and income taxes by \$40,000. The Company
17 included projected costs through December 31, 2018 in its adjustment. ORS's adjustment
18 includes actual costs through December 31, 2018 that were provided by the Company.
19 This adjustment was reviewed by the ORS Utility Rates Department.

20 Adjustment #32 – Adjust Income Taxes to Synchronize Interest Expense for the Adjusted
21 Test Year Rate Base – The Company proposes to adjust income taxes by (\$51,000) to
22 synchronize interest expense for the adjustments to rate base. ORS proposes to adjust
23 income taxes by \$164,000 for the decrease in synchronized interest expense. ORS

1 computed annualized interest expense of \$27,919,000, less per book interest expense of
2 \$28,576,000, resulting in a decrease to interest expense of (\$657,000). The tax rate of
3 24.95% was applied to this amount for a total increase in taxes of \$164,000. The allowable
4 interest expense was computed using the SC retail rate base after ORS adjustments, a long-
5 term debt ratio of 47%, and a weighted cost of debt of 4.06% as shown in Audit Exhibit
6 KLM-7.

7 Adjustment #33 – Adjust 1/8 O&M for Accounting and Pro-Forma Adjustments – The
8 Company proposes to adjust working capital investment by \$1,782,000 to reflect 1/8
9 (12.5%) of O&M expenses after accounting and pro forma adjustments. ORS proposes an
10 adjustment of \$764,000 to working capital which reflects ORS's adjustments to O&M
11 expenses.

12 Adjustment #34 – Adjust for Tax Rate Change – The Company and ORS propose to adjust
13 income taxes by (\$13,871,000) and accumulated deferred taxes by \$17,800,000 due to the
14 Federal corporate tax rate change from 35 percent to 21 percent.

15 Adjustment #35 – Amortize Deferred Cost Balance Related to SC Grid – The Company
16 proposes to adjust depreciation and amortization by \$1,164,000, income taxes by (\$291,000),
17 working capital investment by \$1,164,000, and accumulated deferred taxes by (\$291,000) to
18 amortize the deferred cost balance related to SC Grid. ORS proposes to adjust depreciation
19 and amortization by \$424,000, income taxes by (\$106,000), working capital investment by
20 \$1,016,000, and accumulated deferred taxes by (\$253,000) to amortize the deferred cost
21 balance related to SC Grid. This adjustment is discussed by ORS witness Anthony
22 Sandonato and ORS witness Zachary Payne.

1 Adjustment #36 – Remove Certain Expenses – ORS proposes to adjust other O&M expense
2 by (\$875,000) and income taxes by \$218,000 to disallow sponsorships, lobbying expenses,
3 service awards, advertising, coal ash litigation costs, and other miscellaneous items as ORS
4 considers these items non-allowable and not necessary to provide electric service to
5 ratepayers. Subsequent to filing the application, the Company proposed an adjustment to
6 other O&M expense of (\$25,000) and income taxes of \$6,000 to remove certain non-
7 allowable expenses.

8 Adjustment #37 – Adjust for Public Utilities Commission (“PUC”) License Tax Allocation

9 – Subsequent to filing the application, the Company proposed to adjust general taxes by
10 \$869,000 and income taxes by (\$217,000) to direct assign a portion of the PUC license
11 taxes to South Carolina and SC retail that was inadvertently allocated across other
12 jurisdictions in the DEP per books cost of service study. This is consistent with how the
13 PUC license taxes were assigned in the DEC per books cost of service study in Docket
14 2018-319-E. ORS agrees with the Company’s adjustment. This adjustment was reviewed
15 by the ORS Utility Rates Department.

16 Adjustment #38 – Adjust for Ongoing Payment Obligation – Subsequent to filing the
17 application, the Company proposed to adjust other O&M expense by \$830,000 and income
18 taxes by (\$207,000) to account for an ongoing payment obligation. ORS does not agree
19 with this adjustment. This adjustment was reviewed by the ORS Utility Rates Department.

20 Adjustment #39 – Remove Nuclear Materials and Supplies Inventory – ORS proposes to
21 adjust materials and supplies by (\$1,702,000) to remove nuclear materials and supplies
22 inventory at the Harris Nuclear Station that have remained in a hold status for a period greater
23 than four years. This adjustment is discussed in more detail by ORS witness Willie Morgan.

Adjustment #40 – Customer Growth – The Company proposes to adjust customer growth by \$17,000 to reflect customer growth after accounting and pro forma adjustments by using net income for return and a customer growth factor of 0.0267%. ORS proposes to adjust customer growth by \$21,000. This adjustment is discussed in more detail by ORS witness Michael Seaman-Huynh.

Adjustment #41 – Adjust Revenue, Taxes, and Customer Growth for the Proposed Increase – The Company proposes to adjust electric operating revenue by \$68,668,000, general taxes by \$304,000, income taxes by \$17,057,000, and customer growth by \$14,000 for the proposed revenue increase. ORS proposes to adjust electric operating revenue by \$30,562,000, general taxes by \$135,000, income taxes by \$7,592,000, and customer growth by \$6,000 for the ORS proposed revenue increase and to achieve a return on common equity of 9.3% as recommended by ORS witness David Parcell.

Q. PLEASE DESCRIBE THE REMAINING AUDIT EXHIBITS.

A. Audit Exhibit KLM-3 details the computation of DEP's South Carolina retail electric plant in service as adjusted by ORS. Audit Exhibit KLM-4 details the computation of DEP's South Carolina retail electric accumulated depreciation and amortization – electric plant in service as adjusted by ORS. Audit Exhibit KLM-5 details the calculation of DEP's South Carolina retail material and supplies as adjusted by ORS. Audit Exhibit KLM-6 details DEP's South Carolina retail working capital investment as adjusted by ORS. Audit Exhibit KLM-7 details the calculation DEP's South Carolina retail weighted cost of capital as adjusted by ORS. Audit Exhibit KLM-8 details the Company's operating experience, rate base and rate of return for the test year. The exhibit's format is designed to reflect the application per books, ORS's proposed accounting and pro forma adjustments

necessary to normalize the results of the Company's test year operations, and the results of the Company's proposed increase as recalculated by ORS.

Q. WILL YOU UPDATE YOUR TESTIMONY BASED ON INFORMATION THAT BECOMES AVAILABLE?

A. Yes. ORS fully reserves the right to revise its recommendation via supplemental testimony should new information become available not previously provided by the Company.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

Duke Energy Progress, LLC
Operating Experience, Rate Base and Rate of Return Reflecting ORS's Proposed Increase
Total and Retail Electric
For the Test Year Ended December 31, 2017
Docket No. 2018-318-E

		TOTAL ELECTRIC - NC & SC		(000's Omitted)					
		(1)	(2)	(3)	(4)	(5)	(6)		
		Total Company	SC	ORS	After ORS	ORS	After		
		Per Books	Retail Per Books	Accounting & Pro Forma Adjustments	Accounting & Pro Forma Adjustments	Proposed Increase	Proposed Increase		
Line No.	Description								
1	<u>Operating Revenues</u>	\$ 5,125,685	\$ 562,188	\$ (1,453)	\$ 560,735	\$ 30,562	\$ 591,297		
2	<u>Operating Expenses:</u>								
3	Fuel Used in Electric Generation	\$ 1,258,015	\$ 125,387	\$ 15,903	\$ 141,290	0	\$ 141,290		
4	Purch. Pwr. & Net Interch. (Non-Fuel)	351,214	52,856	0	52,856	0	52,856		
5	Other O&M Expense	1,355,516	145,738	(9,790)	135,948	0	(S) 135,948		
6	Depreciation & Amortization	762,731	75,968	45,325	121,293	0	121,293		
7	General Taxes	153,535	20,970	1,896	22,866	135	(T) 23,001		
8	Interest on Customer Deposits	9,367	654	0	654	0	654		
9	Income Taxes	336,771	35,368	(27,375)	7,993	7,592	(U) 15,585		
10	Amort. of Investment Tax Credit	(3,380)	(338)	0	(338)	0	(338)		
11	<u>Total Operating Expenses</u>	\$ 4,223,769	\$ 456,603	\$ 25,959	\$ 482,562	\$ 7,727	\$ 490,289		
12	<u>Operating Income</u>	901,916	105,585	(27,412)	78,173	22,835	101,008		
13	<u>Customer Growth</u>	0	0	21	21	6	27		
14	<u>Net Operating Income for Return</u>	\$ 901,916	\$ 105,585	\$ (27,391)	\$ 78,194	\$ 22,841	\$ 101,035		
15	<u>Rate Base:</u>								
16	Gross Plant in Service	\$ 26,183,538	\$ 2,691,449	\$ 110,390	\$ 2,801,839	0	\$ 2,801,839		
17	Accum. Depr. & Amort.	(11,299,853)	(1,177,920)	(3,020)	(1,180,940)	0	(1,180,940)		
18	Net Plant in Service	14,883,685	1,513,529	107,370	1,620,899	0	1,620,899		
19	Materials & Supplies	1,126,375	104,777	(3,953)	100,824	0	100,824		
20	Working Capital Investment	(418,232)	(11,372)	(46,769)	(58,141)	0	(58,141)		
21	Plant Held for Future Use	46,711	4,802	0	4,802	0	4,802		
22	Accumulated Deferred Taxes	(1,909,741)	(212,652)	32,628	(180,024)	0	(180,024)		
23	Operating Reserves	(103,988)	(10,627)	0	(10,627)	0	(10,627)		
24	Customer Deposits	0	0	0	0	0	0		
25	Construction Work In Progress	0	0	0	0	0	0		
26	<u>Total Rate Base</u>	\$ 13,624,810	\$ 1,388,457	\$ 89,276	\$ 1,477,733	\$ 0	\$ 1,477,733		
27	<u>Rate of Return</u>	6.62%	7.60%		5.29%		6.84%		
28	<u>Return on Common Equity</u>		10.75%		6.38%		9.30%		

Duke Energy Progress, LLC
Explanation of Accounting and Pro Forma Adjustments - Retail
For the Test Year Ended December 31, 2017
Docket No. 2018-318-E
(000's Omitted)

Adj. No.	Description	(1) Electric Operating Revenue	(2) Fuel Used in Electric Gen.	(3) Purchased Power and Net Interchge.	(4) Other O&M Expense	(5) Deprec. and Amort.	(6) General Taxes	(7) Income Taxes	(8) Amort. of ITC	(9) Cust. Growth	(10) Electric Plant in Service	(11) Accum. Deprec. and Amort.	(12) Materials and Supplies	(13) Working Capital	(14) Plant Held for Future Use	(15) Accum. Deferred Taxes	(16) Oper. Resv.	(17) CWIP
1	Annualize Retail revenues for current rates																	
	Per ORS	590			1		2	147										
	Per Company	590			1		2	147										
2	Update fuel costs to approved rate and other fuel related adjustments																	
	Per ORS	397	15,903					(3,869)						(7,041)		1,631		
	Per Company	397	15,903					(3,869)						(7,041)		1,631		
3	Adjust Other Revenue																	
	Per ORS	68			0		0	17										
	Per Company	68			0		0	17										
4	OPEN																	
	Per ORS																	
	Per Company																	
5	Eliminate unbilled revenues																	
	Per ORS	(2,508)					(8)	(624)										
	Per Company	(2,508)					(8)	(624)										
6	Adjust for costs recovered through non-fuel riders (Not in Binder)																	
	Per ORS				(16,361)	(6,161)	(603)	5,770			(25,846)	8,827		(27,929)		10,062		
	Per Company				(16,361)	(6,161)	(603)	5,770			(25,846)	8,827		(27,929)		10,062		
7	OPEN																	
	Per ORS																	
	Per Company																	
8	Annualize depreciation on year end plant balances																	
	Per ORS					2,777		(693)				(2,777)						
	Per Company					2,801		(699)				(2,801)						
9	Annualize property taxes on year end plant balances																	
	Per ORS						376	(94)										
	Per Company						376	(94)										
10	Adjust for new depreciation rates																	
	Per ORS					9,386		(2,341)				(6,691)		5,390		(1,345)		
	Per Company					9,386		(2,341)				(6,691)		5,390		(1,345)		

Duke Energy Progress, LLC																		
Explanation of Accounting and Pro Forma Adjustments - Retail																		
For the Test Year Ended December 31, 2017																		
Docket No. 2018-318-E																		
(000's Omitted)																		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	
Adj. No.	Description	Electric	Fuel	Purchased	Other	Deprec.	General	Income	Amort.	Electric	Accum.	Materials	Working	Plant Held	Accum.	Oper.	CWIP	
		Operating	Used in	Power and	O&M	and	Taxes	Taxes	of	Plant in	Deprec.	and	Capital	for	Deferred	Resv.		
		Revenue	Gen.	Interchge.	Expense	Amort.			ITC	Service	Amort.	Supplies	Capital	Future Use	Taxes			

11	Adjust for post test year additions to plant in service																	
	Per ORS					5,323	1,063	(1,593)			169,635	(5,323)						
	Per Company					5,327	1,079	(1,598)			176,506	(5,327)						
12	Remove NCEMPA Acquisition Adjustment																	
	Per ORS					(1,218)		304			(33,399)	2,944						
	Per Company					(1,218)		304			(33,399)	2,944						
13	Remove expiring amortization credits from test year																	
	Per ORS					30,869		(7,702)										
	Per Company					30,869		(7,702)										
14	OPEN																	
	Per ORS																	
	Per Company																	
15	Adjust reserve for end of life nuclear costs																	
	Per ORS					0		0						0		0		
	Per Company					2,938		(733)						(2,938)		733		
16	Adjust coal inventory																	
	Per ORS												(2,251)					
	Per Company												(2,251)					
17	Adjust for previously deferred amounts - Harris COLA, GridSouth, Fukushima/Cybersecurity, 2014 Storms																	
	Per ORS					2,634		(657)						(23,118)		5,768		
	Per Company					3,184		(794)						(15,754)		3,931		
18	Amortize deferred environmental costs																	
	Per ORS					879		(219)						3,288		(820)		
	Per Company					10,080		(2,515)						40,322		(10,060)		
19	Amortize deferred cost balance related to SC AMI																	
	Per ORS					104		(26)						861		(215)		
	Per Company					468		(117)						935		(233)		
20	Normalize for storm costs																	
	Per ORS				723			(180)										
	Per Company				1,005			(251)										

Duke Energy Progress, LLC																		
Explanation of Accounting and Pro Forma Adjustments - Retail																		
For the Test Year Ended December 31, 2017																		
Docket No. 2018-318-E																		
(000's Omitted)																		
Adj. No.	Description	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
		Electric Operating Revenue	Fuel Used in Electric Gen.	Purchased Power and Net Interchge.	Other O&M Expense	Deprec. and Amort.	General Taxes	Income Taxes	Amort. of ITC	Cust. Growth	Electric Plant in Service	Accum. Deprec. and Amort.	Materials and Supplies	Working Capital	Plant Held for Future Use	Accum. Deferred Taxes	Oper. Resv.	CWIP
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
21	Annualize O&M non-labor expenses																	
	Per ORS		0					0										
	Per Company		508					(127)										
22	Normalize O&M labor expenses																	
	Per ORS		(802)				199	150										
	Per Company		3,059				180	(808)										
23	Update benefits costs																	
	Per ORS		2,939					(733)										
	Per Company		3,366					(840)										
24	Levelize nuclear refueling outage costs																	
	Per ORS		4,256					(1,062)										
	Per Company		4,256					(1,062)										
25	Amortize rate case costs																	
	Per ORS		137					(34)						0		0		
	Per Company		770					(192)						3,082		(769)		
26	Adjust aviation expenses																	
	Per ORS		(249)				(2)	63										
	Per Company		(249)				(2)	63										
27	OPEN																	
	Per ORS																	
	Per Company																	
28	Adjust for credit card fees																	
	Per ORS		644					(161)										
	Per Company		773					(193)										
29	Adjust O&M for executive compensation																	
	Per ORS		(43)					11										
	Per Company		(304)					76										
30	Adjust for Customer Connect Project																	
	Per ORS		0				308	(77)						0		0		
	Per Company		1,227				515	(435)						1,029		(257)		
31	Adjust vegetation management expenses																	
	Per ORS		(160)					40										
	Per Company		307					(77)										

Duke Energy Progress, LLC
Explanation of Accounting and Pro Forma Adjustments - Retail
For the Test Year Ended December 31, 2017
Docket No. 2018-318-E
(000's Omitted)

Adj. No.	Description	(1) Electric Operating Revenue	(2) Fuel Used in Electric Gen.	(3) Purchased Power and Net Interchge.	(4) Other O&M Expense	(5) Deprec. and Amort.	(6) General Taxes	(7) Income Taxes	(8) Amort. of ITC	(9) Cust. Growth	(10) Electric Plant in Service	(11) Accum. Deprec. and Amort.	(12) Materials and Supplies	(13) Working Capital	(14) Plant Held for Future Use	(15) Accum. Deferred Taxes	(16) Oper. Resv.	CWIP
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
32	Synchronize interest expense with end of period rate base Adjustment Per ORS Per Company							164 (51)										
33	Adjust 1/8 O&M for accounting and pro forma adjustments Adjustment Per ORS Per Company													764 1,782				
34	Adjust for tax rate change Adjustment Per ORS Per Company							(13,871) (13,871)								17,800 17,800		
35	Adjust deferred cost balance related to SC Grid Adjustment Per ORS Per Company					424 1,164		(106) (291)						1,016 1,164		(253) (291)		
36	Remove Certain Expenses Adjustment Per ORS Per Company				(875) 0			218 0										
37	Adjust for Allocation of PUC License Tax Expense Adjustment Per ORS Per Company						869 0	(217) 0										
38	Adjust for Ongoing Payment Obligation Adjustment Per ORS Per Company							0 830										
39	Adjust for Nuclear Supplies and Materials Adjustment Per ORS Per Company												(1,702)					0

Duke Energy Progress, LLC																	
Explanation of Accounting and Pro Forma Adjustments - Retail																	
For the Test Year Ended December 31, 2017																	
Docket No. 2018-318-E																	
(000's Omitted)																	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
Adj.	Electric Operating Revenue	Fuel Used in Electric Gen.	Purchased Power and Net Interchge.	Other O&M Expense	Deprec. and Amort.	General Taxes	Income Taxes	Amort. of ITC	Cust. Growth	Electric Plant in Service	Accum. Deprec. and Amort.	Materials and Supplies	Working Capital	Plant Held for Future Use	Accum. Deferred Taxes	Oper. Resv.	CWIP
No.	Description	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
40	Adjust for Customer Growth Adjustment																
	Per ORS								21								
	Per Company								17								

Total Adjustments Per ORS	(1,453)	15,903	0	(9,790)	45,325	1,896	(27,375)	0	21	110,390	(3,020)	(3,953)	(46,769)	0	32,628	0	0
Total Adjustments Per Company	(1,453)	15,903	0	(812)	59,353	1,024	(33,114)	0	17	117,261	(3,048)	(2,251)	42	0	21,202	0	0
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)

Proposed Increase

41	Adjust Revenue, Taxes, & Customer Growth																
	Per ORS	30,562		0		135	7,592		6								
	Per Company	68,668		0		304	17,057		14								
Total Adjustments Per ORS	30,562	0	0	0	0	135	7,592	0	6	0	0	0	0	0	0	0	0
Total Adjustments Per Company	68,668	0	0	0	0	304	17,057	0	14	0	0	0	0	0	0	0	0
	(R)			(S)		(T)	(U)		(V)								

Audit Exhibit KLM-3

Duke Energy Progress, LLC
Electric Plant in Service at Original Cost
Test Year Ended December 31, 2017
Docket No. 2018-318-E
(000's Omitted)

Description	Total Electric Total Company Per Books	South Carolina Retail		
		Per Books	Accounting Adjustments	As Adjusted
Production	\$ 15,837,016	\$ 1,515,298	\$ 64,359	\$ 1,579,657
Transmission	2,601,062	242,011	17,453	259,464
Distribution	6,236,202	774,976	23,058	798,034
General	654,815	71,373	6,376	77,749
Intangible Plant	498,613	51,254	(856)	50,398
Subtotal	\$ 25,827,708	\$ 2,654,912	\$ 110,390	\$ 2,765,302
Nuclear Fuel	355,830	36,537	0	36,537
Total Electric Plant in Service	\$ 26,183,538	\$ 2,691,449	\$ 110,390	\$ 2,801,839

Duke Energy Progress, LLC
Accumulated Depreciation and Amortization - Electric Plant in Service
Test Year Ended December 31, 2017
Docket No. 2018-318-E
(000's Omitted)

Description	Total Electric Total Company Per Books	South Carolina Retail		
		Per Books	Accounting Adjustments	As Adjusted
Production	\$ (6,964,031)	\$ (673,642)	\$ (15,413)	\$ (689,055)
Transmission	(798,253)	(74,529)	(838)	(75,367)
Distribution	(3,005,978)	(373,555)	11,204	(362,351)
General	(249,802)	(27,228)	(1,090)	(28,318)
Intangible Plant	<u>(281,789)</u>	<u>(28,966)</u>	<u>3,117</u>	<u>(25,849)</u>
Subtotal	\$ (11,299,853)	\$ (1,177,920)	\$ (3,020)	\$ (1,180,940)
Nuclear Fuel	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ <u><u>(11,299,853)</u></u>	\$ <u><u>(1,177,920)</u></u>	\$ <u><u>(3,020)</u></u>	\$ <u><u>(1,180,940)</u></u>

Duke Energy Progress, LLC
Materials and Supplies
Test Year Ended December 31, 2017
Docket No. 2018-318-E
(000's Omitted)

<u>Description</u>	<u>Total Electric Total Company Per Books</u>	<u>South Carolina Retail</u>		
		<u>Per Books</u>	<u>Accounting Adjustments</u>	<u>As Adjusted</u>
<u>Fuel Stock:</u>				
Coal	\$ 242,761	\$ 24,927	\$ (2,251)	\$ 22,676
Oil	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Total Fuel Stock</u>	\$ 242,761	\$ 24,927	\$ (2,251)	\$ 22,676
Other Electric Materials and Supplies and Stores Clearing	<u>883,614</u>	<u>79,850</u>	<u>(1,702)</u>	<u>78,148</u>
<u>Total Materials and Supplies</u>	\$ <u>1,126,375</u>	\$ <u>104,777</u>	\$ <u>(3,953)</u>	\$ <u>100,824</u>

Duke Energy Progress, LLC
Working Capital Investment
Test Year Ended December 31, 2017
Docket No. 2018-318-E
(000's Omitted)

<u>Description</u>	<u>Total Electric Total Company Per Books</u>	<u>South Carolina Retail</u>		
		<u>Per Books</u>	<u>Accounting Adjustments</u>	<u>As Adjusted</u>
12 Mths O&M (Excl PP & Nuclear Fuel)	\$ 2,385,539	\$ 242,529	\$ 6,113	\$ 248,642
1/8 of O&M Expenses	298,192	30,316	764	31,080
Less: Average Taxes Accrued	<u>(3,472)</u>	<u>(353)</u>	<u>0</u>	<u>(353)</u>
<u>Subtotal: Investor Funds for Operations</u>	\$ <u>294,720</u>	\$ <u>29,963</u>	\$ <u>764</u>	\$ <u>30,727</u>
Required Bank Balance	0	0	0	0
Unamortized Debt Expense	47,999	4,880	0	4,880
Prepayments	72,816	7,403	0	7,403
Customer Deposits	(129,255)	(19,816)	0	(19,816)
Miscellaneous Deferred Debits and Credits	<u>(704,512)</u>	<u>(33,802)</u>	<u>(47,533)</u>	<u>(81,335)</u>
<u>Subtotal: Other Investor Funds</u>	\$ <u>(712,952)</u>	\$ <u>(41,335)</u>	\$ <u>(47,533)</u>	\$ <u>(88,868)</u>
<u>Total Working Capital Investment</u>	\$ <u><u>(418,232)</u></u>	\$ <u><u>(11,372)</u></u>	\$ <u><u>(46,769)</u></u>	\$ <u><u>(58,141)</u></u>

Duke Energy Progress, LLC
Weighted Cost of Capital
Retail Electric Operations
For the Test Year Ended December 31, 2017
Docket No. 2018-318-E
(000's Omitted)

Description	Retail Per Books				As Adjusted				After Proposed Increase			
	Capital Structure	Calculated Ratio	Pro Forma Ratio	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	
Long-Term Debt	\$ 7,257,297	46.85%	47.00%	\$ 652,575	4.06%	1.91%	\$ 26,495	\$ 694,535	4.06%	1.91%	\$ 28,198	
Members' Equity	8,233,254	53.15%	53.00%	735,882	10.75%	5.69%	79,090	783,198	9.30%	4.93%	72,837	
Totals	\$ 15,490,551	100.00%	100.00%	1,388,457		7.60%	105,585	1,477,733		6.84%	101,035	

Duke Energy Progress, LLC
Operating Experience, Rate Base and Rate of Return Reflecting the Company's Proposed Increase
Total and Retail Electric
For the Test Year Ended December 31, 2017
Docket No. 2018-318-E

		TOTAL ELECTRIC - NC & SC		(000's Omitted)					
		(1)	(2)	(3)	(4)	(5)	(6)		
		Total Company	SC	ORS	After ORS	Company	After		
Line No.	Description	Per Books	Retail Per Books	Accounting & Pro Forma Adjustments	Accounting & Pro Forma Adjustments	Proposed Increase	Proposed Increase		
1	<u>Operating Revenues</u>	\$ 5,125,685	\$ 562,188	(1,453)	\$ 560,735	\$ 68,668	\$ 629,403		
2	<u>Operating Expenses:</u>								
3	Fuel Used in Electric Generation	\$ 1,258,015	\$ 125,387	\$ 15,903	\$ 141,290	0	\$ 141,290		
4	Purch. Pwr. & Net Interch. (Non-Fuel)	351,214	52,856	0	52,856	0	52,856		
5	Other O&M Expense	1,355,516	145,738	(9,790)	135,948	0	(S) 135,948		
6	Depreciation & Amortization	762,731	75,968	45,325	121,293	0	121,293		
7	General Taxes	153,535	20,970	1,896	22,866	304	(T) 23,170		
8	Interest on Customer Deposits	9,367	654	0	654	0	654		
9	Income Taxes	336,771	35,368	(27,375)	7,993	17,057	(U) 25,050		
10	Amort. of Investment Tax Credit	(3,380)	(338)	0	(338)	0	(338)		
11	<u>Total Operating Expenses</u>	\$ 4,223,769	\$ 456,603	\$ 25,959	\$ 482,562	\$ 17,361	\$ 499,923		
12	<u>Operating Income</u>	901,916	105,585	(27,412)	78,173	51,307	129,480		
13	<u>Customer Growth</u>	0	0	21	21	14	35		
14	<u>Net Operating Income for Return</u>	\$ 901,916	\$ 105,585	\$ (27,391)	\$ 78,194	\$ 51,321	\$ 129,515		
15	<u>Rate Base:</u>								
16	Gross Plant in Service	\$ 26,183,538	\$ 2,691,449	\$ 110,390	\$ 2,801,839	0	\$ 2,801,839		
17	Accum. Depr. & Amort.	(11,299,853)	(1,177,920)	(3,020)	(1,180,940)	0	(1,180,940)		
18	Net Plant in Service	14,883,685	1,513,529	107,370	1,620,899	0	1,620,899		
19	Materials & Supplies	1,126,375	104,777	(3,953)	100,824	0	100,824		
20	Working Capital Investment	(418,232)	(11,372)	(46,769)	(58,141)	0	(58,141)		
21	Plant Held for Future Use	46,711	4,802	0	4,802	0	4,802		
22	Accumulated Deferred Taxes	(1,909,741)	(212,652)	32,628	(180,024)	0	(180,024)		
23	Operating Reserves	(103,988)	(10,627)	0	(10,627)	0	(10,627)		
24	Customer Deposits	0	0	0	0	0	0		
25	Construction Work In Progress	0	0	0	0	0	0		
26	<u>Total Rate Base</u>	\$ 13,624,810	\$ 1,388,457	\$ 89,276	\$ 1,477,733	\$ 0	\$ 1,477,733		
27	<u>Rate of Return</u>	6.62%	7.60%		5.29%		8.76%		
28	<u>Return on Common Equity</u>		10.75%		6.38%		12.94%		